

## Message Text

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FM SECSTATE WASHDC

TO AMCONSUL RIO DE JANEIRO

INFO AMEMBASSY OTTAWA

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FOLLOWING REPEAT SECSTATE 169743 ACTION ATHENS BANGKOK

BONN BRASILIA EC BRUSSELS LISBON LONDON MADRID PARIS

PRETORIA ROME TAIPEI SEOUL TEHRAN THE HAGUE TOKYO

INFO TEL AVIV CAIRO MEXICO BELGRADE IAEA VIENNA

BRUSSELS DUBLIN 04 AUGUST 1974. QUOTE:

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E.O. 11652:N/A

TAGS:TECH, ENRG

SUBJECT:COMPLETION OF AEC ENRICHMENT CONTRACTING

FOR AMBASSADOR

1. ON TUESDAY, AUGUST 6, THE AEC WILL ANNOUNCE THE  
RESUMPTION OF URANIUM ENRICHMENT CONTRACTING SUSPENDED IN  
JUNE. ACTION POSTS SHOULD INFORM APPROPRIATE HOST GOVERN-  
MENT OFFICIALS OF U.S. DECISION ASAP (ON MONDAY IF POSSI-  
BLE) AND CONVEY TEXT OF PRESIDENTIAL STATEMENT ON URANIUM

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ENRICHMENT POLICY TO BE ISSUED IN CONJUNCTION WITH AEC

ANNOUNCEMENT.

2. TEXT OF PRESIDENTIAL STATEMENT BEING SENT SEPTTEL.

3. POSTS SHOULD STRESS FOLLOWING POINTS WITH HOST GOVERNMENT OFFICIALS:

- THE AEC IS PREPARED TO SIGN ALL PENDING CONTRACTS.

- WHILE SOME CONTRACTS WILL CARRY CONDITIONS, THE PRESIDENTIAL STATEMENT COMMITS THE USG TO THEIR FULFILLMENT FROM U.S. SUPPLY SOURCES.

- THERE IS NO ACTUAL OR ANTICIPATED SHORTAGE OF FUEL FOR NUCLEAR POWER PLANTS. ALTHOUGH THE

CURRENT ROUND OF AEC CONTRACTING ACTIVITY WILL COMMIT THE SUSTAINING CAPACITY OF THE AEC PLANTS, THERE IS NO QUESTION BUT THAT THE U.S. WILL CONSTRUCT ADDITIONAL PLANTS. (SEE PARA. 7).

4. FOLLOWING IS BACKGROUND ON WHY CONTRACTING WAS SUSPENDED AND BASIS FOR RESUMPTION:

A. IN LATE JUNE THE AEC CEASED SIGNING FURTHER CONTRACTS FOR ENRICHED URANIUM FUEL FOR NUCLEAR POWER STATIONS IN ORDER TO EVALUATE AN APPROPRIATE RESPONSE TO A SITUATION WHEREIN CONTRACTING DEMAND WITHIN A JUNE 30, 1974 DEADLINE WAS EXCEEDING THE UPPER LIMITS OF AEC CAPABILITY. THE AEC IS NOW PREPARED TO RESUME AND COMPLETE LONG-TERM CONTRACTING FOR ENRICHMENT SERVICES WITH THOSE CUSTOMERS WHO COMPLETED CONTRACT NEGOTIATIONS WITH AEC THROUGH JUNE 30, 1974.

B. AEC CAN PROVIDE ENRICHMENT SERVICES TO SUSTAIN THE OPERATION OF POWER PLANTS WITH COMBINED CAPACITY OF APPROXIMATELY 290 THOUSAND MEGAWATTS. (THIS NOMINAL CAPABILITY ASSUMES NO PLUTONIUM RECYCLE AND THE CURRENT OPERATING TAILS ASSAY OF THE ENRICHMENT PLANT. AS INDILIMITED OFFICIAL USE

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CATED BELOW, HIGHER PRODUCTION LEVELS ARE POSSIBLE.)

C. IN ESTABLISHING THE REVISED URANIUM ENRICHMENT SERVICES CRITERIA IN THE SPRING OF 1973, AEC WAS GRANTED CERTAIN CONTINGENCY AUTHORITY TO ENTER INTO FIRM CONTRACTS IN EXCESS OF SUCH CAPABILITY. THE AEC BELIEVES THAT AN INCREASE OF ABOUT 10 PERCENT WOULD BE APPROPRIATE. THUS, CAPABILITY TO EXECUTE STANDARD ENRICHMENT CONTRACTS WOULD

BE EXTENDED TO ABOUT 320 THOUSAND MEGAWATTS.

D. ABOVE THE LEVEL OF ABOUT 320 THOUSAND MEGAWATTS UP TO THE FULL REQUEST FOR 364 THOUSAND MEGAWATTS, AEC IS PREPARED TO CONTRACT ON A CONDITIONAL BASIS. THE CONTRACTS WOULD INCLUDE A NEW PROVISION UNDER WHICH THEY WOULD AUTOMATICALLY BE TERMINATED, WITHOUT COST TO EITHER PARTY, IF A REGULATORY GENERIC FINDING PERMITTING PLUTONIUM RECYCLE (I.E., THAT PLUTONIUM CAN BE USED IN THIS TYPE OF REACTOR IN THE U.S. AS A SUBSTITUTE FOR ENRICHED URANIUM) HAD NOT OCCURRED BY JUNE 30, 1975, OR SUCH LATER DATE AS THE PARTIES MIGHT MUTUALLY AGREE. THE NORMAL DOWN-PAYMENT WOULD NOT BE REQUIRED, IN THE CASE OF THESE CONDITIONAL CONTRACTS, UNTIL A FINDING PERMITTING RECYCLE HAD ACTUALLY BEEN MADE. ON MONDAY, AUGUST 5, THE AEC WILL ISSUE FOR PUBLIC COMMENT A FAVORABLE DRAFT ENVIRONMENTAL IMPACT STATEMENT ON PLUTONIUM RECYCLE. A REGULATORY

FINDING IS EXPECTED IN THE NEXT SIX TO NINE MONTHS.

#### 5. CONTRACT ALLOCATION.

A. THERE ARE 75 FOREIGN CONTRACTS PENDING. THESE HAVE BEEN ALLOCATED TO THE TWO CATEGORIES, QUOTE STANDARD UNQUOTE AND QUOTE CONDITIONAL UNQUOTE AS FOLLOWS:

COUNTRY/CATEGORY	STANDARD	CONDITIONAL
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BRAZIL	2	
FRANCE	2	6
GERMANY (FRG)	2	8
GREECE		1
IRAN		6
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ITALY	1	1
JAPAN	19	8
KOREA		2
NETHERLANDS		1
PORTUGAL		2
SOUTH AFRICA	2	
SPAIN	1	6
TAIWAN	2	
THAILAND	1	
UNITED KINGDOM		2

(NUMBERS IN TABLE ARE NUMBERS OF REACTORS)

B. POSTS SHOULD BE PREPARED TO TELL HOST GOVERNMENTS HOW MANY OF EACH TYPE OF CONTRACT THEY WILL RECEIVE, BUT SHOULD AVOID DISCUSSION OF THE OVERALL ALLOCATION.

ISSUANCE OF STRONG PRESIDENTIAL STATEMENT IS INTENDED TO REMOVE DISTINCTION BETWEEN STANDARD AND CONDITIONAL CONTRACTS FOR ALL PRACTICAL PURPOSES. THIS USG ASSURANCE OF SUPPLY SHOULD BE STRESSED.

C. ALLOCATION OF CONTRACTS WAS MADE AS FOLLOWS:

IN KEEPING WITH U.S. POLICY TO PROVIDE ACCESS TO U.S. ENRICHMENT CAPACITY ON A NON-DISCRIMINATORY AND EQUITABLE BASIS, CONTRACT REQUESTS WERE FIRST CONSIDERED ON A CHRONOLOGICAL BASIS REFLECTING THE DATE ON WHICH THE CONTRACT WAS AVAILABLE TO BE FURNISHED TO THE CUSTOMER FOR SIGNATURE-- STANDARD CONTRACTS WERE ALLOCATED TO THE FIRST 31 REQUESTS AND CONDITIONAL CONTRACTS WERE ALLOCATED TO COVER THE REMAINDER. THIS PROCESS PRODUCED A RESULT THAT WAS INEQUITABLE, SINCE WESTERN EUROPE WOULD HAVE RECEIVED ONLY ONE STANDARD CONTRACT OUT OF A TOTAL OF 33 REQUESTED. JAPAN, ON THE OTHER HAND, WOULD HAVE RECEIVED 25 STANDARD CONTRACTS (OUT OF A TOTAL OF 27

REQUESTED). THEREFORE, TO PROVIDE A MORE EQUITABLE BALANCE, FIVE STANDARD CONTRACTS WERE SHIFTED FROM JAPAN TO THE MAJOR WESTERN EUROPEAN CUSTOMERS, TWO TO FRANCE, TWO TO FRG, AND ONE TO SPAIN. IN ADDITION, ONE DOMESTIC REACTOR THAT WOULD HAVE BEEN COVERED BY A CONDITIONAL CONTRACT WAS SHIFTED TO A STANDARD CONTRACT TAKEN FROM LIMITED OFFICIAL USE

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THE ALLOCATION TO JAPAN, REDUCING ITS TOTAL TO 19.

6. POSTS SHOULD BE AWARE THAT DURING THE CONTRACTING SUSPENSION PERIOD, STANDARD CONTRACTS FOR ONE REACTOR EACH IN ISRAEL AND EGYPT AND TWO REACTORS IN IRAN WERE SIGNED BY THE AEC. EXECUTION OF THESE CONTRACTS REFLECTS PRIOR PRESIDENTIAL COMMITMENTS. AEC WILL ALSO SIGN STANDARD CONTRACTS FOR ONE REACTOR IN YUGOSLAVIA AND TWO IN MEXICO. THIS FUEL WAS PREVIOUSLY COMMITTED BY THE USG THROUGH THE IAEA.

7. FYI: POSTS SHOULD TAKE CAREFUL NOTE OF THE EMPHASIS IN THE PRESIDENTIAL STATEMENT ON THE USG POLICY REGARDING PRIVATE ENTRY. IT IS IMPORTANT THAT HOST GOVERNMENTS UNDERSTAND THIS POLICY AND THAT THE USG REGARDS PRIVATE ENTRY AS ESSENTIAL TO MEET FUTURE NEEDS FOR ENRICHMENT SERVICES. IN STRESSING PRESIDENTIAL ASSURANCE OF SUPPLY FROM U.S. SOURCES, AVOID ANY SUGGESTION THAT USG WILL BUILD ADDITIONAL PLANTS. END FYI.

8. PRESIDENTIAL TEXT SCHEDULED FOR PUBLIC RELEASE TUESDAY AUGUST 6 IN CONJUNCTION CHAIRMAN RAY'S TESTIMONY BEFORE

JOINT COMMITTEE ON ATOMIC ENERGY. THERE IS REMOTE POSSIBILITY THAT TESTIMONY, AND ACCORDINGLY RELEASE OF TEXT, WILL BE DELAYED A DAY OR SO. THEREFORE, NO PUBLIC DISCLOSURE OF TEXT SHOULD BE MADE UNTIL POST RECEIVES CONFIRMATION OF RELEASE IN WASHINGTON

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**To:** RIO DE JANEIRO OTTAWA  
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